

PREFORMED LINE PRODUCTS CO

Form 10-Q

November 07, 2013

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**

**OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2013**

**Commission file number: 0-31164**

**Preformed Line Products Company**

**(Exact Name of Registrant as Specified in Its Charter)**

**Ohio**  
**(State or Other Jurisdiction of**  
**Incorporation or Organization)**

**34-0676895**  
**(I.R.S. Employer**  
**Identification No.)**

**660 Beta Drive**

**Mayfield Village, Ohio**  
**(Address of Principal Executive Office)**

**44143**  
**(Zip Code)**

**(440) 461-5200**

**(Registrant's telephone number, including area code)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of common shares outstanding as of November 7, 2013: 5,358,655.

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****PREFORMED LINE PRODUCTS COMPANY****CONSOLIDATED BALANCE SHEETS****(UNAUDITED)**

<i>Thousands of dollars, except share and per share data</i>	September 30 2013	December 31 2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 31,153	\$ 28,120
Accounts receivable, less allowances of \$2,032 (\$2,039 in 2012)	73,917	61,695
Inventories net	73,930	86,916
Deferred income taxes	6,752	6,557
Prepays	6,108	5,652
Prepaid taxes	3,193	2,729
Other current assets	3,638	2,432
<b>TOTAL CURRENT ASSETS</b>	<b>198,691</b>	<b>194,101</b>
Property, plant and equipment net	98,453	93,326
Patents and other intangibles net	12,365	14,038
Goodwill	14,972	15,537
Deferred income taxes	6,989	6,069
Other assets	13,572	9,993
<b>TOTAL ASSETS</b>	<b>\$ 345,042</b>	<b>\$ 333,064</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Notes payable to banks	\$ 501	\$ 217
Current portion of long-term debt	191	251
Trade accounts payable	23,837	21,822
Accrued compensation and amounts withheld from employees	15,214	12,271
Accrued expenses and other liabilities	10,286	11,967
Accrued profit-sharing and other benefits	4,842	5,387
Dividends payable	1,106	0
Income taxes payable and deferred income taxes	1,099	6,328
<b>TOTAL CURRENT LIABILITIES</b>	<b>57,076</b>	<b>58,243</b>
Long-term debt, less current portion	14,951	9,322
Unfunded pension obligation	11,636	13,184
Income taxes payable, noncurrent	1,585	2,304
Deferred income taxes	4,047	4,485
Other noncurrent liabilities	4,692	4,457

**SHAREHOLDERS EQUITY**

PLPC Shareholders equity:

Common shares \$2 par value per share, 15,000,000 shares authorized, 5,361,155 and 5,377,937 issued and outstanding, net of 732,579 and 689,472 treasury shares at par, respectively, at September 30, 2013 and December 31, 2012	10,722	10,756
Common shares issued to rabbi trust, 184,787 and 184,036 shares at September 30, 2013 and December 31, 2012	(6,577)	(6,522)
Deferred compensation liability	6,577	6,522
Paid in capital	19,828	16,355
Retained earnings	239,703	227,622
Accumulated other comprehensive loss	(19,198)	(13,664)

<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>251,055</b>	<b>241,069</b>
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<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>\$ 345,042</b>	<b>\$ 333,064</b>
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*See notes to consolidated financial statements (unaudited).*

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**PREFORMED LINE PRODUCTS COMPANY**  
**STATEMENTS OF CONSOLIDATED INCOME**  
**(UNAUDITED)**

	Three month periods ended September 30		Nine month periods ended September 30	
	2013	2012	2013	2012
	<i>(Thousands, except per share data)</i>			
Net sales	\$ 100,828	\$ 114,206	\$ 311,233	\$ 334,992
Cost of products sold	69,168	75,699	210,725	223,507
<b>GROSS PROFIT</b>	<b>31,660</b>	<b>38,507</b>	<b>100,508</b>	<b>111,485</b>
Costs and expenses				
Selling	8,874	9,344	27,226	27,746
General and administrative	10,386	12,788	33,993	36,944
Research and engineering	3,714	3,893	11,055	11,295
Other operating expense (income)	419	(677)	2,611	562
	23,393	25,348	74,885	76,547
<b>OPERATING INCOME</b>	<b>8,267</b>	<b>13,159</b>	<b>25,623</b>	<b>34,938</b>
Other income (expense)				
Interest income	204	160	454	476
Interest expense	(121)	(144)	(329)	(489)
Other income	194	235	393	589
	277	251	518	576
<b>INCOME BEFORE INCOME TAXES</b>	<b>8,544</b>	<b>13,410</b>	<b>26,141</b>	<b>35,514</b>
Income taxes	2,440	4,126	8,686	11,501
<b>NET INCOME</b>	<b>\$ 6,104</b>	<b>\$ 9,284</b>	<b>\$ 17,455</b>	<b>\$ 24,013</b>
<b>BASIC EARNINGS PER SHARE</b>				
Net income	\$ 1.14	\$ 1.75	\$ 3.25	\$ 4.51
<b>DILUTED EARNINGS PER SHARE</b>				
Net income	\$ 1.12	\$ 1.71	\$ 3.20	\$ 4.42
Cash dividends declared per share	\$ 0.20	\$ 0.20	\$ 0.40	\$ 0.60
Weighted-average number of shares outstanding basic	5,361	5,319	5,369	5,328
Weighted-average number of shares outstanding diluted	5,449	5,431	5,450	5,432

*See notes to consolidated financial statements (unaudited).*

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**PREFORMED LINE PRODUCTS COMPANY**  
**STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME (LOSS)**  
**(UNAUDITED)**

	Three month periods ended		Nine month periods ended	
	September 30 2013	2012	2013	2012
	<i>(Thousands of dollars)</i>			
Net income	\$ 6,104	\$ 9,284	\$ 17,455	\$ 24,013
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment	2,376	2,660	(5,764)	774
Recognized net actuarial loss (net of tax provision \$46 and \$71 for the three months ended September 30, 2013 and 2012, and net of tax provision \$140 and \$213 for the nine months ended September 30, 2013 and 2012)	77	117	230	350
Other comprehensive income (loss), net of tax	2,453	2,777	(5,534)	1,124
Comprehensive income	\$ 8,557	\$ 12,061	\$ 11,921	\$ 25,137

*See notes to consolidated financial statements (unaudited).*



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**PREFORMED LINE PRODUCTS COMPANY**  
**STATEMENTS OF CONSOLIDATED CASH FLOWS**  
**(UNAUDITED)**

	Nine month periods ended September 30	
	2013	2012
	<i>(Thousands of dollars)</i>	
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 17,455	\$ 24,013
Adjustments to reconcile net income to net cash provided by (used in) operations:		
Depreciation and amortization	8,987	8,233
Provision for accounts receivable allowances	494	1,111
Provision for inventory reserves	2,031	1,109
Deferred income taxes	(1,693)	(59)
Share-based compensation expense	2,199	2,179
Excess tax benefits from share-based awards	(159)	(116)
Loss (gain) on sale of property and equipment	(57)	(133)
Other net	(11)	(18)
Changes in operating assets and liabilities:		
Accounts receivable	(16,079)	(8,460)
Inventories	5,204	654
Trade accounts payables and accrued liabilities	3,522	8,504
Income taxes payable	(5,153)	(359)
Other net	(2,203)	(1,351)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>14,537</b>	<b>35,307</b>
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(15,861)	(15,540)
Business acquisitions, net of cash acquired	0	(5,173)
Proceeds from the sale of property and equipment	455	1,910
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(15,406)</b>	<b>(18,803)</b>
<b>FINANCING ACTIVITIES</b>		
Increase (decrease) in notes payable to banks	312	(1,260)
Proceeds from the issuance of long-term debt	49,319	51,974
Payments of long-term debt	(43,631)	(65,254)
Dividends paid	(1,201)	(3,305)
Excess tax benefits from share-based awards	159	116
Earn-out consideration payment	(520)	(1,148)
Proceeds from issuance of common shares	1,167	324
Purchase of common shares for treasury	(3,248)	(2,094)

<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	2,357	(20,647)
Effects of exchange rate changes on cash and cash equivalents	1,544	132
Net increase (decrease) in cash and cash equivalents	3,033	(4,011)
Cash and cash equivalents at beginning of year	28,120	32,126
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 31,153</b>	<b>\$ 28,115</b>

*See notes to consolidated financial statements (unaudited).*

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**PREFORMED LINE PRODUCTS COMPANY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

*In thousands, except share and per share data, unless specifically noted*

**NOTE A BASIS OF PRESENTATION**

The accompanying unaudited consolidated financial statements of Preformed Line Products Company and subsidiaries (the Company or PLPC ) have been prepared in accordance with United States of America (U.S.) generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X.

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from these estimates. However, in the opinion of management, these consolidated financial statements contain all estimates and adjustments, consisting of normal recurring accruals, required to fairly present the financial position, results of operations, and cash flows for the interim periods. Operating results for the three and nine month periods ended September 30, 2013 are not necessarily indicative of the results to be expected for the full year ending December 31, 2013.

The Consolidated Balance Sheet at December 31, 2012 has been derived from the audited consolidated financial statements, but does not include all of the information and notes required by U.S. GAAP for complete financial statements. For further information, refer to the consolidated financial statements and notes to consolidated financial statements included in the Company's 2012 Annual Report on Form 10-K filed on March 15, 2013 with the Securities and Exchange Commission.

*Reclassifications*

Certain prior period amounts have been reclassified to conform to current year presentation.

**NOTE B OTHER FINANCIAL STATEMENT INFORMATION***Inventories net*

	September 30 2013	December 31 2012
Finished products	\$ 34,836	\$ 41,474
Work-in-process	7,700	7,940
Raw materials	43,623	46,133
	86,159	95,547
Excess of current cost over LIFO cost	(4,825)	(4,674)
Noncurrent portion of inventory	(7,404)	(3,957)

\$	73,930	\$	86,916
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Cost of inventories for certain materials are determined using the last-in-first-out (LIFO) method and totaled approximately \$25.2 million at September 30, 2013 and \$30.2 million at December 31, 2012. An actual valuation of inventories under the LIFO method can be made only at the end of the year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must be based on management's estimates of expected year-end inventory levels and costs. Because these estimates are subject to change and may be different than the actual inventory levels and costs at the end of the year, interim results are subject to the final year-end LIFO inventory valuation. During the three and nine month periods ended September 30, 2013, the net change in LIFO inventories resulted in a less than \$.1 million benefit to and \$.2 million charge to Income before income taxes, respectively. During the three and nine month periods ended September 30, 2012, the net change in LIFO inventories resulted in a benefit of \$.2 million and a \$.2 million charge to Income before income taxes, respectively.

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Noncurrent inventory is included in Other assets on the Consolidated Balance Sheets.

*Property, plant and equipment net*

Major classes of Property, plant and equipment, net are stated at cost and were as follows:

	September 30 2013	December 31 2012
Land and improvements	\$ 12,700	\$ 13,190
Buildings and improvements	59,909	59,505
Machinery and equipment	142,105	138,533
Construction in progress	13,903	7,242
	228,617	218,470
Less accumulated depreciation	130,164	125,144
	\$ 98,453	\$ 93,326

*Legal proceedings*

From time to time, the Company may be subject to litigation incidental to its business. The Company is not a party to any pending legal proceedings that the Company believes would, individually or in the aggregate, have a material adverse effect on its financial condition, results of operations, or cash flows.

**NOTE C PENSION PLANS**

PLP-USA hourly employees of the Company who met specific requirements as to age and service are covered by a defined benefit pension plan ( Plan ). On December 12, 2012, the Company approved a freeze on further benefit accruals under the PLP-USA hourly employee pension plan and notified the participants of the freeze on December 19, 2012. Beginning February 1, 2013, participants have ceased earning additional benefits under the Plan and no new participants will enter the Plan. The Plan freeze required a valuation of the Plan s assets and obligations as of December 31, 2012, which resulted in a non-cash curtailment gain of \$6.3 million, which was recognized in the Other comprehensive income (loss) during the fourth quarter of 2012. The measurement of the Plan s assets and obligations also resulted in a reduction in the Company s pension liability of \$6.3 million. The Company uses a December 31 measurement date for the Plan. Net periodic benefit cost for the Plan included the following components:

	Three month period ended September 30		Nine month period ended September 30	
	2013	2012	2013	2012
Service cost	\$ 56	\$ 325	\$ 167	\$ 975
Interest cost	313	353	938	1,058
Expected return on plan assets	(359)	(297)	(1,077)	(890)
Recognized net actuarial loss	123	187	370	562

Net periodic benefit cost	\$ 133	\$ 568	\$ 398	\$ 1,705
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During the nine month period ended September 30, 2013, \$1.6 million of contributions were made to the Plan. The Company presently anticipates not contributing any additional funds to the Plan in 2013.

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The following tables set forth the total changes in AOCI by component, net of tax:

	Three Month Period Ended September 30, 2013		
	Defined benefit pension plan activity	Currency Translation Adjustment	Total
Balance at July 1, 2013	\$ (6,171)	\$ (15,480)	\$ (21,651)
Other comprehensive income before reclassifications	0	2,376	2,376
<b>Amounts reclassified from AOCI:</b>			
Amortization of defined benefit pension actuarial loss (a)	77	0	77
Net current period other comprehensive income	77	2,376	2,453
Balance at September 30, 2013	\$ (6,094)	\$ (13,104)	\$ (19,198)

	Nine Month Period Ended September 30, 2013		
	Defined benefit pension plan activity	Currency Translation Adjustment	Total
Balance at January 1, 2013	\$ (6,324)	\$ (7,340)	\$ (13,664)
Other comprehensive income before reclassifications	0	(5,764)	(5,764)
<b>Amounts reclassified from AOCI:</b>			
Amortization of defined benefit pension actuarial loss (a)	230	0	230
Net current period other comprehensive income	230	(5,764)	(5,534)
Balance at September 30, 2013	\$ (6,094)	\$ (13,104)	\$ (19,198)

(a) This AOCI component is included in the computation of net periodic pension costs.

**NOTE E COMPUTATION OF EARNINGS PER SHARE**

Basic earnings per share were computed by dividing Net income by the weighted-average number of common shares outstanding for each respective period. Diluted earnings per share were calculated by dividing Net income by the weighted-average of all potentially dilutive common shares that were outstanding during the periods presented.

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The calculation of basic and diluted earnings per share for the three and nine month periods ended September 30, 2013 and 2012 were as follows:

	Three Month Period Ended September 30		Nine Month Period Ended September 30	
	2013	2012	2013	2012
Net income	\$ 6,104	\$ 9,284	\$ 17,455	\$ 24,013
Denominator				
Determination of shares				
Weighted-average common shares outstanding	5,361	5,319	5,369	5,328
Dilutive effect share-based awards	88	112	81	104
Diluted weighted-average common shares outstanding	5,449	5,431	5,450	5,432
Earnings per common share attributable to PLPC shareholders				
Basic	\$ 1.14	\$ 1.75	\$ 3.25	\$ 4.51
Diluted	\$ 1.12	\$ 1.71	\$ 3.20	\$ 4.42

For the three and nine month period ended September 30, 2012, 22,500 and 17,750 stock options, respectively, were excluded from the calculation of diluted earnings per share due to the average market price being lower than the exercise price plus any unearned compensation on unvested options, and as such they were anti-dilutive.



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For the three and nine month periods ended September 30, 2012, zero and 3,496 restricted shares, respectively, were excluded from the calculation of diluted earnings per shares due to the average market price being lower than the date of grant fair value plus any unearned compensation on unvested options, and as such they were anti-dilutive.

**NOTE F GOODWILL AND OTHER INTANGIBLES**

The Company's finite and indefinite-lived intangible assets consist of the following:

	September 30, 2013		December 31, 2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
<b>Finite-lived intangible assets</b>				
Patents	\$ 4,822	\$ (4,360)	\$ 4,819	\$ (4,135)
Land use rights	1,339	(142)	1,322	(125)
Trademark	1,625	(655)	1,674	(529)
Customer backlog	578	(578)	578	(578)
Technology	2,816	(513)	2,924	(361)
Customer relationships	10,357	(2,924)	10,728	(2,279)
	\$ 21,537	\$ (9,172)	\$ 22,045	\$ (8,007)
<b>Indefinite-lived intangible assets</b>				
Goodwill	\$ 14,972		\$ 15,537	

The aggregate amortization expense for other intangibles with finite lives for the three and nine month periods ended September 30, 2013 was \$.4 million and \$1.2 million, respectively. The aggregate amortization expense for other intangibles with finite lives for the three and nine month periods ended September 30, 2012 was \$.4 million and \$1.1 million, respectively. Amortization expense is estimated to be \$.4 million for the remainder of 2013, \$1.3 million for 2014, \$1.1 million for 2015, \$.9 million for 2016 and \$.9 million for 2017. The weighted-average remaining amortization period by intangible asset class is as follows: patents, 1.9 years; land use rights, 62.9 years; trademark, 12.5 years; technology, 17.3 years and customer relationships, 14.3 years.

The Company's measurement date for its annual impairment test for goodwill is October 1st of each year. The Company performs its annual impairment test for goodwill utilizing a combination of discounted cash flow methodology, market comparables, and an overall market capitalization reasonableness test in computing fair value by reporting unit. The Company then compares the fair value of the reporting unit with its carrying value to assess if goodwill has been impaired. Based on the assumptions as to growth, discount rates and the weighting used for each respective valuation methodology, results of the valuations could be significantly different. However, the Company believes that the methodologies and assumptions used are reasonable and result in appropriate fair values of the reporting units.

The Company's only intangible asset with an indefinite life is goodwill. The change to goodwill is related to foreign currency translation. The changes in the carrying amount of goodwill, by segment, for the nine month period ended September 30, 2013, are as follows:

	The Americas	EMEA	Asia-Pacific	Total
Balance at January 1, 2013	\$ 3,078	\$ 1,819	\$ 10,640	\$ 15,537
Currency translation	0	(87)	(478)	(565)
Balance at September 30, 2013	\$ 3,078	\$ 1,732	\$ 10,162	\$ 14,972

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## NOTE G SHARE-BASED COMPENSATION

*The 1999 Stock Option Plan*

The 1999 Stock Option Plan (the Plan) permitted the grant of 300,000 options to buy common shares of the Company to certain employees at not less than fair market value of the shares on the date of grant. Options issued under the Plan vest 50% after one year following the date of the grant, 75% after two years, and 100% after three years and expire from five to ten years from the date of grant. Shares issued as a result of stock option exercises will be funded with the issuance of new shares.

The Company historically elected to use the simplified method of calculating the expected term of the stock options and historical volatility to compute fair value under the Black-Scholes option-pricing model. The risk-free rate for periods within the contractual life of the option is based on the U.S. zero coupon Treasury yield in effect at the time of grant. Forfeitures have been estimated to be zero.

Activity in the Company's 1999 Stock Option Plan for the nine month period ended September 30, 2013 was as follows:

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2013	32,150	\$ 40.93		
Granted	0	\$ 0.00		
Exercised	(12,400)	\$ 42.73		
Forfeited	0	\$ 0.00		
Outstanding (vested and expected to vest) at September 30, 2013	19,750	\$ 39.80	3.5	\$ 635
Exercisable at September 30, 2013	19,750	\$ 39.80	3.5	\$ 635

There were 12,400 and 9,111 stock options exercised during the nine month periods ended September 30, 2013 and 2012, respectively. The total intrinsic value of stock options exercised during the nine month periods ended September 30, 2013 and 2012 was \$.3 million and \$.4 million, respectively. Cash received for the exercise of stock options during the nine month periods ended September 30, 2013 and 2012 was \$.5 million and \$.2 million, respectively. Excess tax benefits from share-based awards for the nine month periods ended September 30, 2013 and 2012 was \$.1 million for both periods.

For the three and nine month periods ended September 30, 2013, the Company recorded no compensation expense related to the stock options as all options are fully vested. For the three and nine month periods ended September 30, 2012, the Company recorded compensation expenses related to the stock options currently vesting reducing income before taxes and net income by less than \$.1 million for both periods.

*Long Term Incentive Plan of 2008*

Under the Preformed Line Products Company Long Term Incentive Plan of 2008 (the LTIP ), certain employees, officers, and directors are eligible to receive awards of options and restricted shares. The purpose of this LTIP is to give the Company and its subsidiaries a competitive advantage in attracting, retaining, and motivating officers, employees, and directors and to provide an incentive to those individuals to increase shareholder value through long-term incentives directly linked to the Company s performance. As of September 30, 2013, the total number of common shares reserved for awards under the LTIP is 900,000. Of the 900,000 common shares, 800,000 common shares have been reserved for restricted share awards and 100,000 common shares have been reserved for share options. The LTIP expires on April 17, 2018.

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For all of the participants except the CEO, a portion of the restricted share award is subject to time-based cliff vesting and a portion is subject to vesting based upon the Company's performance over a three year period. All of the CEO's restricted shares are subject to vesting based upon the Company's performance over a three year period. The restricted shares are offered at no cost to the employees; however, the participant must remain employed with the Company until the restrictions on the restricted shares lapse. The fair value of restricted share awards is based on the market price of a common share on the grant date. The Company currently estimates that no awards will be forfeited.

A summary of the restricted share awards under the LTIP for the nine month period ended September 30, 2013 is as follows:

	Restricted Share Awards			
	Performance Required	Service Required	Total Restricted Awards	Weighted-Average Grant-Date Fair Value
Nonvested as of January 1, 2013	103,221	11,363	114,584	\$ 48.33
Granted	47,832	5,614	53,446	70.27
Vested	0	0	0	0
Forfeited	0	0	0	0
Nonvested as of September 30, 2013	151,053	16,977	168,030	\$ 55.31

For time-based restricted shares, the Company recognizes stock-based compensation expense on a straight-line basis over the requisite service period of the award in General and administrative expense in the accompanying Statement of Consolidated Income. Compensation expense related to the time-based restricted shares for the three and nine month periods ended September 30, 2013 was \$.1 million and \$.2 million, respectively. Compensation expense related to the time-based restricted shares for the three and nine month periods ended September 30, 2012 was \$.1 million and \$.2 million, respectively. As of September 30, 2013, there was \$.5 million of total unrecognized compensation cost related to time-based restricted share awards that is expected to be recognized over the weighted-average remaining period of approximately 1.9 years.

For the performance-based awards, the number of restricted shares that will vest depends on the Company's level of performance measured by growth in pretax income and sales growth over a requisite performance period. Depending on the extent to which the performance criteria are satisfied under the LTIP, the participants are eligible to earn common shares over the vesting period. Performance-based compensation expense for the three and nine month periods ended September 30, 2013 was \$.7 million and \$2 million, respectively. Performance-based compensation expense for the three and nine month periods ended September 30, 2012 was \$.6 million and \$1.8 million, respectively. As of September 30, 2013, the remaining performance-based restricted share awards compensation expense of \$4 million is expected to be recognized over a period of approximately 1.9 years.

The excess tax benefits from restricted share awards for the nine month periods ended September 30, 2013 and 2012 was \$0 for each period.

In the event of a Change in Control, vesting of the restricted shares will be accelerated and all restrictions will lapse. Unvested performance-based awards are based on a maximum potential payout. Actual shares awarded at the end of

the performance period may be less than the maximum potential payout level depending on achievement of performance-based award objectives.

To satisfy the vesting of its restricted share awards, the Company has reserved new shares from its authorized but unissued shares. Any additional awards granted will also be issued from the Company's authorized but unissued shares. As of September 30, 2013, under the LTIP there were 429,837 common shares available for additional restricted share grants.

Table of ContentsDeferred Compensation Plan

The Company maintains a trust, commonly referred to as a rabbi trust, in connection with the Company's deferred compensation plan. This plan allows for two deferrals. First, Directors make elective deferrals of Director fees payable and held in the rabbi trust. The deferred compensation plan allows the Directors to elect to receive Director fees in shares of common stock of the Company at a later date instead of fees paid each quarter in cash. Second, this plan allows certain Company employees to defer LTIP restricted shares for future distribution in the form of common shares. Assets of the rabbi trust are consolidated, and the value of the Company's stock held in the rabbi trust is classified in Shareholders' equity and generally accounted for in a manner similar to treasury stock. The Company recognizes the original amount of the deferred compensation (fair value of the deferred stock award at the date of grant) as the basis for recognition in common shares issued to the rabbi trust. Changes in the fair value of amounts owed to certain employees or Directors are not recognized as the Company's deferred compensation plan does not permit diversification and must be settled by the delivery of a fixed number of the Company's common shares. As of September 30, 2013, 184,787 LTIP shares have been deferred and are being held by the rabbi trust.

Share Option Awards

The LTIP permits the grant of up to 100,000 options to buy common shares of the Company to certain employees at not less than fair market value of the shares on the date of grant. At September 30, 2013 there were 57,000 shares remaining available for issuance under the LTIP. Options issued to date under the LTIP vest 50% after one year following the date of the grant, 75% after two years, and 100% after three years and expire from five to ten years from the date of grant. Shares issued as a result of stock option exercises will be funded with the issuance of new shares.

The Company has historically elected to use the simplified method of calculating the expected term of the stock options and historical volatility to compute fair value under the Black-Scholes option-pricing model. The risk-free rate for periods within the contractual life of the option is based on the U.S. zero coupon Treasury yield in effect at the time of grant. Forfeitures have been estimated to be zero.

There were 0 and 8,000 options granted for the nine month periods ended September 30, 2013 and 2012, respectively.

Activity in the Company's LTIP for the nine month period ended September 30, 2013 was as follows:

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2013	33,750	\$ 50.21		
Granted	0	0.00		
Exercised	(12,750)	43.76		
Forfeited	0	0.00		
Outstanding (vested and expected to vest) at September 30, 2013	21,000	\$ 54.13	8.5	\$ 374

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Exercisable at September 30, 2013	8,625	\$ 54.55	8.5	\$ 150
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There were 12,750 and 1,250 stock options exercised under the LTIP Plan during the nine month periods ended September 30, 2013 and 2012, respectively. The total intrinsic value of stock options exercised during the nine month periods ended September 30, 2013 and 2012 was \$.3 million and less than \$.1 million, respectively. Cash received for the exercise of stock options during the nine month periods ended September 30, 2013 and 2012 was \$.6 million and less than \$.1 million, respectively. Excess tax benefits from share-based options for the nine month periods ended September 30, 2013 and 2012 were \$.1 million and less than \$.1 million, respectively.

For the three and nine month periods ended September 30, 2013, the Company recorded compensation expense related to the stock options currently vesting, reducing Income before taxes and Net income by less than \$.1 million and \$.1 million, respectively. For the three and nine month periods ended September 30, 2012, the Company recorded compensation expense related to the stock options currently vesting, reducing Income before taxes and Net income by \$.1 million and \$.2 million, respectively. The total compensation cost related to nonvested awards not yet recognized at September 30, 2013 is expected to be a combined total of \$.2 million over a weighted-average period of approximately 1.3 years.



**Table of Contents****NOTE H FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

The carrying value of the Company's current financial instruments, which include cash and cash equivalents, accounts receivable, accounts payable, notes payable, and short-term debt, approximates its fair value because of the short-term maturity of these instruments. On May 24, 2012, the Company amended its credit facility to increase the amount to \$90 million, and extended the term to January 2015. The amendment to the credit facility lowered the interest rate from LIBOR plus 1.25% to LIBOR plus 1.125%. At September 30, 2013, the fair value of the Company's long-term debt was estimated using a discounted cash flows analysis, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements which are considered to be level two inputs. There have been no transfers in or out of level two for the nine month period ended September 30, 2013. Based on the analysis performed, the fair value and the carrying value of the Company's long-term debt approximates its carrying value as of September 30, 2013 and December 31, 2012.

	September 30, 2013		December 31, 2012	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Long-term debt and related current maturities	\$ 15,114	\$ 15,141	\$ 9,573	\$ 9,573

As part of the January 31, 2012 Purchase Agreement to acquire Australian Electricity Systems PTY Ltd (AES), the Company recorded an additional earn-out consideration payment of \$1.2 million US dollars. This amount represented the fair value of the earn-out consideration based on AES achieving a financial performance target over the twelve months ended June 30, 2012. The Company finalized the AES contingent consideration arrangement to \$.4 million in 2012 which was paid to the former owner in April 2013.

Also, the Company acquired all the assets of Forma Line Industries CC on March 1, 2012 located in South Africa. As part of the Purchase Agreement for this acquisition, the Company entered into a one-year earn-out contingent consideration arrangement that ended on March 1, 2013. The fair value of this contingent consideration arrangement was \$.1 million and was paid in March 2013.

**NOTE I RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same period. For other amounts, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The amendments are effective prospectively for reporting periods beginning after December 15, 2012. The Company adopted this guidance in the first quarter of 2013. As these amendments relate to presentation only, the provisions of ASU 2012-04 did not have an effect on the Company's results of operations, financial condition, and cash flows.

**NOTE J NEW ACCOUNTING STANDARDS TO BE ADOPTED**

In July 2013, the FASB issued ASU 2013-11, Presentation of Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists, an amendment to FASB ASC Topic 740, Income Taxes (ASC 740). This update clarifies that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. In situations where a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. Retrospective application is permitted. The Company is currently evaluating the impact of the adoption of this ASU on the Company's financial statements.

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In March 2013, the FASB issued ASU No. 2013-05, Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. ASU 2013-05 clarifies the applicable guidance for the release of the cumulative translation adjustment under current U.S. GAAP by emphasizing that the accounting for the release of the cumulative translation adjustment into net income for sales or transfers of a controlling financial interest within a foreign Entity is the same irrespective of whether the sale or transfer is of a subsidiary or a group of assets that is a nonprofit activity or business. When a reporting entity ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity, the parent is required to apply the guidance in Subtopic 830-30 to release any related cumulative translation adjustment into net income. The amendments are effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The Company is currently evaluating the impact of the adoption of ASU 2013-05 on the Company's financial statements.

**NOTE K SEGMENT INFORMATION**

The following tables present a summary of the Company's reportable segments for the three and nine month periods ended September 30, 2013 and 2012. Financial results for the PLP-USA segment include the elimination of all segments' intercompany profit in inventory.

	Three month period ended September 30		Nine month period ended September 30	
	2013	2012	2013	2012
<b>Net sales</b>				
PLP-USA	\$ 33,763	\$ 41,291	\$ 112,297	\$ 125,650
The Americas	23,507	23,791	65,672	69,844
EMEA	14,802	18,357	47,609	50,014
Asia-Pacific	28,756	30,767	85,655	89,484
<b>Total net sales</b>	<b>\$ 100,828</b>	<b>\$ 114,206</b>	<b>\$ 311,233</b>	<b>\$ 334,992</b>
<b>Intersegment sales</b>				
PLP-USA	\$ 4,141	\$ 1,655	\$ 9,859	\$ 6,901
The Americas	1,576	1,684	4,851	5,921
EMEA	541	1,034	1,649	2,896
Asia-Pacific	2,766	4,205	7,645	11,892
<b>Total intersegment sales</b>	<b>\$ 9,024</b>	<b>\$ 8,578</b>	<b>\$ 24,004</b>	<b>\$ 27,610</b>
<b>Income taxes</b>				
PLP-USA	\$ 1,628	\$ 2,081	\$ 4,981	\$ 6,664
The Americas	695	824	1,696	2,337
EMEA	545	964	1,663	2,211
Asia-Pacific	(428)	257	346	289
<b>Total income taxes</b>	<b>\$ 2,440</b>	<b>\$ 4,126</b>	<b>\$ 8,686</b>	<b>\$ 11,501</b>

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Net income				
PLP-USA	\$ 3,220	\$ 3,404	\$ 9,418	\$ 10,965
The Americas	1,457	2,292	4,476	5,738
EMEA	1,618	3,254	4,907	6,806
Asia-Pacific	(191)	334	(1,346)	504
Total net income	\$ 6,104	\$ 9,284	\$ 17,455	\$ 24,013

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	September 30 2013	December 31 2012
<b>Assets</b>		
PLP-USA	\$ 90,447	\$ 84,192
The Americas	77,285	67,745
EMEA	52,599	51,370
Asia-Pacific	124,393	129,437
	344,724	332,744
Corporate assets	318	320
Total assets	\$ 345,042	\$ 333,064

**NOTE L INCOME TAXES**

The Company's effective tax rate was 29% and 31% for the three month periods ended September 30, 2013 and 2012, respectively, and 33% and 32% for the nine month periods ended September 30, 2013 and 2012, respectively. The lower effective tax rate for the three and nine month periods ended September 30, 2013 compared to the U.S. federal statutory tax rate of 35% is primarily due to increased earnings in jurisdictions with lower tax rates than the U.S. federal statutory rate where such earnings are permanently reinvested. The lower effective tax rate for the three month period ending September 30, 2013 compared with the same period for 2012 was primarily related to favorable discrete items recognized in the quarter for a decrease of unrecognized tax benefits which the Company considers to have been effectively settled. The higher effective tax rate for the nine month period ending September 30, 2013 compared with the same period for 2012 was primarily due to the Company's decision not to recognize the tax benefit attributable to operating losses in certain foreign jurisdictions, partially offset by favorable discrete items recognized in the quarter.

The Company provides valuation allowances against deferred tax assets when it is more likely than not that some portion, or all, of its deferred tax assets will not be realized. The Company recorded \$.5 million valuation allowance as a discrete item against deferred tax assets existing as of December 31, 2012 for one of its foreign operations during the nine period ended September 30, 2013.

As of September 30, 2013, the Company had gross unrecognized tax benefits of approximately \$.7 million. Under the provisions of ASC 740 Income Taxes, the Company reduced previously unrecognized tax benefits by \$.2 million primarily due to the expiration of statute of limitations. The Company recognized \$.5 million of additional unrecognized tax benefits for the three month period ended September 30, 2013 due to a decrease of unrecognized tax benefits which the Company considers to have been effectively settled.

**NOTE M PRODUCT WARRANTY RESERVE**

The Company records an accrual for estimated warranty costs to Costs of products sold in the Statements of Consolidated Income. These amounts are recorded in Accrued expenses and other liabilities in the Consolidated Balance Sheets. The Company records and accounts for its warranty reserve based on specific claim incidents. Should the Company become aware of a specific potential warranty claim for which liability is probable and reasonably estimable, a specific charge is recorded and accounted for accordingly. Adjustments are made quarterly to the accruals as claim information changes.

The following is a rollforward of the product warranty reserve:

	Nine month period ended September 30,	
	2013	2012
Balance at the beginning of period	\$ 1,229	\$ 824
Additions charged to income	245	1,009
Warranty usage	(357)	(649)
Currency translation	(32)	11
End of period balance	\$ 1,085	\$ 1,195

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**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the readers of our financial statements better understand our results of operations, financial condition and present business environment. The MD&A is provided as a supplement to, and should be read in conjunction with, our audited consolidated financial statements and related notes included elsewhere in this report.

The MD&A is organized as follows:

Overview

Preface

Results of Operations

Application of Critical Accounting Policies and Estimates

Working Capital, Liquidity and Capital Resources

Recently Adopted Accounting Pronouncements

New Accounting Standards to be Adopted

**OVERVIEW**

Preformed Line Products Company (the Company, PLPC, we, us, or our) was incorporated in Ohio in 1947. We are an international designer and manufacturer of products and systems employed in the construction and maintenance of overhead and underground networks for the energy, telecommunication, cable operators, information (data communication), and other similar industries. Our primary products support, protect, connect, terminate, and secure cables and wires. We also provide solar hardware systems and mounting hardware for a variety of solar power applications. Our goal is to continue to achieve profitable growth as a leader in the innovation, development, manufacture, and marketing of technically advanced products and services related to energy, communications, and cable systems and to take advantage of this leadership position to sell additional quality products in familiar markets. We have 19 sales and manufacturing operations in 15 different countries.

We report our segments in four geographic regions: PLP-USA (including Corporate), The Americas (includes operations in North and South America without PLP-USA), EMEA (Europe, Middle East & Africa) and Asia-Pacific in accordance with accounting standards codified in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 280, Segment Reporting. Each segment distributes a full range of our primary products. Our PLP-USA segment is comprised of our U.S. operations manufacturing our traditional products primarily

supporting our domestic energy and telecommunications products. Our other three segments, The Americas, EMEA and Asia-Pacific, support our energy, telecommunications, data communication, and solar products in each respective geographical region.

The segment managers responsible for each region report directly to the Company's Chief Executive Officer, who is the chief operating decision maker, and are accountable for the financial results and performance of their entire segment for which they are responsible. The business components within each segment are managed to maximize the results of the entire company rather than the results of any individual business component of the segment.

We evaluate segment performance and allocate resources based on several factors primarily based on sales and net income.

## PREFACE

Our consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP). Our discussions of the financial results include non-GAAP measures (e.g., foreign currency impact) to provide additional information concerning our financial results and provide information that we believe is useful to the readers of our financial statements in the assessment of our performance and operating trends.



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Our financial statements are subject to fluctuations in the exchange rates of foreign currencies in relation to the U.S. dollar. As foreign currencies weaken against the U.S. dollar, our revenues and costs decrease as the foreign currency-denominated financial statements translate into less dollars. On average, foreign currencies weakened against the U.S. dollar in the first nine months of 2013. The most significant currencies that contributed to this movement were the South African rand, the Brazilian real and the Australian dollar. On a reportable segment basis, the unfavorable impact of foreign currency on net sales and net income for the three and nine month periods ended September 30, 2013, was as follows:

	Net Sales		Net Income	
	Three months	Nine Months	Three months	Nine Months
The Americas	\$ (1.4)	\$ (3.3)	\$ (0.1)	\$ (0.2)
EMEA	(0.7)	(1.9)	(0.2)	(0.4)
Asia-Pacific	(2.2)	(2.3)	0.1	0.2
Total	\$ (4.3)	\$ (7.5)	\$ (0.2)	\$ (0.4)

The global financial and economic conditions continue to be volatile but our financial condition continues to remain strong despite the continued uncertainties caused by the Eurozone crisis and reduced growth in areas of the Asia-Pacific segment. Despite the current global economy, we believe our business fundamentals are sound and strategically well-positioned as we remain focused on managing costs, increasing sales volumes and delivering value to our customers. We have continued to invest in the business to improve efficiency, develop new products, increase our capacity and become an even stronger supplier to our customers. We currently have a bank debt to equity ratio of 6% and can borrow needed funds at an attractive interest rate under our credit facility.

**RESULTS OF OPERATIONS****THREE MONTH PERIOD ENDED SEPTEMBER 30, 2013 COMPARED TO THREE MONTH PERIOD ENDED SEPTEMBER 30, 2012**

The following table sets forth a summary of the Company's Statement of Consolidated Income and the percentage of net sales for the three month periods ended September 30, 2013 and 2012. The Company's past operating results are not necessarily indicative of future operating results.

<i>Thousands of dollars</i>	Three month period ended September 30					
	2013		2012		Change	% Change
Net sales	\$ 100,828	100.0%	\$ 114,206	100.0%	\$ (13,378)	(12)%
Cost of products sold	69,168	68.6%	75,699	66.3%	(6,531)	(9)
<b>GROSS PROFIT</b>	31,660	31.4%	38,507	33.7%	(6,847)	(18)
Costs and expenses	23,393	23.2%	25,348	22.2%	(1,955)	(8)
<b>OPERATING INCOME</b>	8,267	8.2%	13,159	11.5%	(4,892)	(37)

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Other income (expense)	277	0.3%	251	0.2%	26	10
<b>INCOME BEFORE INCOME TAXES</b>	8,544	8.5%	13,410	11.7%	(4,866)	(36)
Income taxes	2,440	2.4%	4,126	3.6%	(1,686)	(41)
<b>NET INCOME</b>	\$ 6,104	6.1%	\$ 9,284	8.1%	\$ (3,180)	(34)%

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*Net sales.* For the three month period ended September 30, 2013, net sales were \$100.8 million, a decrease of \$13.4 million, or 12%, from the three month period ended September 30, 2012. Excluding the effect of currency translation, net sales decreased 8% as summarized in the following table:

<i>thousands of dollars</i>	Three month period ended September 30					
	2013	2012	Change	Change due to currency translation	Change excluding currency translation	% change
Net sales						
PLP-USA	\$ 33,763	\$ 41,291	\$ (7,528)	\$ 0	\$ (7,528)	(18)%
The Americas	23,507	23,791	(284)	(1,412)	1,128	5
EMEA	14,802	18,357	(3,555)	(674)	(2,881)	(16)
Asia-Pacific	28,756	30,767	(2,011)	(2,200)	189	1
Consolidated	\$ 100,828	\$ 114,206	\$ (13,378)	\$ (4,286)	\$ (9,092)	(8)%

The decrease in PLP-USA net sales of \$7.5 million, or 18%, was primarily due to a volume decrease of \$4.6 million coupled with a price/mix decrease of \$2.9 million. International net sales for the three month period ended September 30, 2013 were unfavorably affected by \$4.3 million when local currencies were converted to U.S. dollars. The following discussions of changes in net sales exclude the effect of currency translation. The Americas net sales of \$23.5 million increased \$1.1 million, or 5%, primarily related to an increase in solar related sales in the region of \$2.5 million partially offset by a decrease in energy and transmission sales volume of \$1.4 million. EMEA net sales of \$14.8 million decreased \$2.9 million primarily due to lower sales volume in the region. EMEA's net sales for the three month period ended September 30, 2012 were strengthened by significant investment in the region's infrastructure coupled with significant transmission projects in the region. Asia-Pacific's net sales of \$28.8 million increased \$2 million primarily due to several significant energy transmission projects in the region partially offset by government deferrals of construction of transmission lines in certain locations in the region.

*Gross profit.* Gross profit of \$31.7 million for the three month period ended September 30, 2013 decreased \$6.8 million, or 18%, compared to the three month period ended September 30, 2012. Excluding the effect of currency translation, gross profit decreased 15% as summarized in the following table:

<i>thousands of dollars</i>	Three month period ended September 30					
	2013	2012	Change	Change due to currency translation	Change excluding currency translation	% change
Gross profit						
PLP-USA	\$ 13,183	\$ 13,958	\$ (775)	\$ 0	\$ (775)	(6)%
The Americas	6,133	7,717	(1,584)	(365)	(1,219)	(16)
EMEA	5,286	7,076	(1,790)	(302)	(1,488)	(21)
Asia-Pacific	7,058	9,756	(2,698)	(437)	(2,261)	(23)

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Consolidated	\$ 31,660	\$ 38,507	\$(6,847)	\$ (1,104)	\$ (5,743)	(15)%
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PLP-USA gross profit of \$13.2 million decreased \$.8 million compared to 2012. Of PLP-USA's \$.8 million decrease in gross profit, \$2.5 million was due to lower net sales partially offset by \$.4 million of lower pension expense, a decrease in warranty expenses of \$.2 million, lower consulting expenses of \$.2 million and better production margins due to sales mix. International gross profit for the three month period ended September 30, 2013 was unfavorably impacted by \$1.1 million when local currencies were translated to U.S. dollars. The following discussion of gross profit changes excludes the effects of currency translation. The Americas gross profit decrease of \$1.2 million was primarily the result of lower material margins in the region of \$2 million due to the change in the mix of products sold partially offset by better production margins of \$.8 million. The EMEA gross profit decreased \$1.5 million as a result of \$1.1 million from lower net sales coupled with higher product costs of \$.4 million. Asia-Pacific gross profit of \$7.1 million decreased \$2.3 million due to higher product costs in the region.

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*Costs and expenses.* Costs and expenses of \$23.4 million for the three month period ended September 30, 2013 decreased \$2 million, or 8%, compared to 2012. Excluding the effect of currency translation, costs and expenses decreased 4% as summarized in the following table:

<i>thousands of dollars</i>	Three month period ended September 30					
	2013	2012	Change	Change due to currency translation	Change excluding currency translation	% change
<b>Costs and expenses</b>						
PLP-USA	\$ 8,289	\$ 8,399	\$ (110)	\$ 0	\$ (110)	(1)%
The Americas	4,180	4,835	(655)	(266)	(389)	(8)
EMEA	3,214	2,942	272	(90)	362	12
Asia-Pacific	7,710	9,172	(1,462)	(597)	(865)	(9)
Consolidated	\$ 23,393	\$ 25,348	\$ (1,955)	\$ (953)	\$ (1,002)	(4)%

PLP-USA costs and expenses decreased \$.1 million primarily due to lower commissions of \$.2 million, lower employee related costs of \$1 million, and a net gain on the disposal of capital assets of \$.2 million, partially offset by lower net foreign currency exchange gains of \$.4 million, an increase in consulting of \$.2 million, higher professional fees of \$.1 million, an increase in intercompany related expenses of \$.1 million, an increase in advertising of \$.1 million and intercompany debt forgiveness of \$.4 million. The foreign currency exchange gains are primarily related to translating foreign denominated loans, trade receivables and royalty receivables from our foreign subsidiaries at the quarter end exchange rates. International costs and expenses for the three month period ended September 30, 2013 were favorably impacted by \$1 million when local currencies were translated to U.S. dollars. The following discussion of costs and expenses excludes the effect of currency translation. The Americas costs and expenses of \$4.2 million decreased \$.4 million due to a decrease in employee related costs coupled with lower net foreign currency exchange losses of \$.1 million in the region. EMEA costs and expenses of \$3.2 million increased \$.4 million compared to 2012 due primarily to higher net foreign currency exchange losses of \$.4 million coupled with higher research and engineering product testing partially offset by lower commissions of \$.1 million. Asia-Pacific costs and expenses of \$7.7 million decreased \$.9 million primarily due to lower employee related costs in the region coupled with lower bad debt expense of \$.2 million, a \$.4 million decrease in costs and expenses related to our AEM acquisition on January 31, 2012 due to consolidating our locations in Australia and a decrease in intercompany related expenses of \$.1 million partially offset by \$.2 million reduction in the fair value of the acquisition earn-out consideration payment and higher net foreign currency exchange losses of \$.4 million.

*Other income.* Other income for the three month period ended September 30, 2013 of \$.3 million remained relatively unchanged compared to 2012.

*Income taxes.* Income taxes for the three month period ended September 30, 2013 of \$2.4 million was \$1.7 million lower than the same period in 2012. The effective tax rate for the three month period ended September 30, 2013 was 29% compared to 31% for the same period in 2012. The effective tax rate for three month period ended September 30, 2013 is lower than the U.S. federal statutory rate of 35% primarily due to increased earnings in jurisdictions with lower tax rates than the U.S. federal statutory rate where such earnings are permanently reinvested. The lower effective tax rate for the three month period ended September 30, 2013 compared with the same period for 2012 was primarily related to favorable discrete items recognized in the quarter for a decrease of unrecognized tax benefits

which the Company considers to have been effectively settled.

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*Net income.* As a result of the preceding items, net income for the three month period ended September 30, 2013 was \$6.1 million, compared to \$9.3 million for the three month period ended September 30, 2012. Excluding the effect of currency translation, net income decreased \$3 million as summarized in the following table:

<i>thousands of dollars</i>	Three month period ended September 30					
	2013	2012	Change	Change due to currency translation	Change excluding currency translation	% change
Net income						
PLP-USA	\$ 3,220	\$ 3,404	\$ (184)	\$ 0	\$ (184)	(5)%
The Americas	1,457	2,292	(835)	(79)	(756)	(33)
EMEA	1,618	3,254	(1,636)	(152)	(1,484)	(46)
Asia-Pacific	(191)	334	(525)	90	(615)	NM
Consolidated	\$ 6,104	\$ 9,284	\$ (3,180)	\$ (141)	\$ (3,039)	(33)%

NM - Not meaningful.

PLP-USA net income decreased \$.2 million due to a \$.7 million decrease in operating income partially offset by a decrease in income taxes of \$.5 million. International net income for the three month period ended September 30, 2013 was unfavorably affected by \$.1 million when local currencies were converted to U.S. dollars. The following discussion of net income excludes the effect of currency translation. The Americas net income decreased \$.8 million as a result of a \$.8 million decrease in operating income partially offset by lower income taxes. EMEA net income decreased \$1.5 million as a result of a decrease in operating income of \$1.9 million partially offset by lower income taxes of \$.4 million. Asia-Pacific net income decreased \$.6 million as a result of lower operating income of \$1.4 million partially offset by lower income taxes of \$.8 million.

#### NINE MONTH PERIOD ENDED SEPTEMBER 30, 2013 COMPARED TO NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012

The following table sets forth a summary of the Company's Statements of Consolidated Income and the percentage of net sales for the nine month periods ended September 30, 2013 and 2012. The Company's past operating results are not necessarily indicative of future operating results.

<i>Thousands of dollars</i>	Nine month period ended September 30					
	2013		2012		Change	% Change
Net sales	\$ 311,233	100.0%	\$ 334,992	100.0%	\$ (23,759)	(7)%
Cost of products sold	210,725	67.7%	223,507	66.7%	(12,782)	(6)
<b>GROSS PROFIT</b>	100,508	32.3%	111,485	33.3%	(10,977)	(10)
Costs and expenses	74,885	24.1%	76,547	22.9%	(1,662)	(2)

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<b>OPERATING INCOME</b>	25,623	8.2%	34,938	10.4%	(9,315)	(27)
Other income (expense)	518	0.2%	576	0.2%	(58)	(10)
<b>INCOME BEFORE INCOME TAXES</b>	26,141	8.4%	35,514	10.6%	(9,373)	(26)
Income taxes	8,686	2.8%	11,501	3.4%	(2,815)	(24)
<b>NET INCOME</b>	\$ 17,455	5.6%	\$ 24,013	7.2%	\$ (6,558)	(27)%



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*Net sales.* For the nine month period ended September 30, 2013, net sales were \$311.2 million, a decrease of \$23.8 million, or 7%, from the nine month period ended September 30, 2012. Excluding the unfavorable effect of currency translation, net sales decreased 5% as summarized in the following table:

<i>thousands of dollars</i>	Nine month period ended September 30					
	2013	2012	Change	Change due to currency translation	Change excluding currency translation	% change
Net sales						
PLP-USA	\$ 112,297	\$ 125,650	\$ (13,353)	\$ 0	\$ (13,353)	(11)%
The Americas	65,672	69,844	(4,172)	(3,337)	(835)	(1)
EMEA	47,609	50,014	(2,405)	(1,856)	(549)	(1)
Asia-Pacific	85,655	89,484	(3,829)	(2,324)	(1,505)	(2)
Consolidated	\$ 311,233	\$ 334,992	\$ (23,759)	\$ (7,517)	\$ (16,242)	(5)%

The decrease in PLP-USA net sales of \$13.4 million, or 11%, was primarily due to \$11.2 million volume decrease coupled with \$2.2 million due to price/mix. International net sales for the nine month period ended September 30, 2013 were unfavorably affected by \$7.5 million when local currencies were converted to U.S. dollars. The following discussions of changes in net sales exclude the effect of currency translation. The Americas net sales decreased \$8 million, or 1%, primarily due to a decrease in energy sales volume of \$1.1 million partially offset by an increase in solar sales of \$.3 million. EMEA net sales of \$47.6 million decreased \$.5 million, or 1%, primarily due to significant energy transmission investment in the region in 2012 that did not repeat in 2013. Asia-Pacific net sales of \$85.7 million decreased \$1.5 million, or 2%, primarily due to lower transmission projects in the region compared to 2012.

*Gross profit.* Gross profit of \$100.5 million for the nine month period ended September 30, 2013 decreased \$11 million, or 10%, compared to the nine month period ended September 30, 2012. Excluding the effect of currency translation, gross profit decreased 8% as summarized in the following table:

<i>thousands of dollars</i>	Nine month period ended September 30					
	2013	2012	Change	Change due to currency translation	Change excluding currency translation	% change
Gross profit						
PLP-USA	\$ 43,121	\$ 45,350	\$ (2,229)	\$ 0	\$ (2,229)	(5)%
The Americas	18,152	21,562	(3,410)	(799)	(2,611)	(12)
EMEA	16,481	18,054	(1,573)	(805)	(768)	(4)
Asia-Pacific	22,754	26,519	(3,765)	(448)	(3,317)	(13)
Consolidated	\$ 100,508	\$ 111,485	\$ (10,977)	\$ (2,052)	\$ (8,925)	(8)%

PLP-USA gross profit of \$43.1 million decreased \$2.2 million compared to 2012. Of PLP-USA's \$2.2 million decrease in gross profit, \$4.8 million was due to lower net sales partially offset by \$1.3 million of lower pension related expenses, a net decrease in warranty expense of \$.8 million and a decrease in the elimination of intercompany profit in ending inventories. International gross profit for the nine month period ended September 30, 2013 was unfavorably impacted by \$2.1 million when local currencies were translated to U.S. dollars. The following discussion of gross profit changes excludes the effects of currency translation. The Americas gross profit decrease of \$2.6 million was primarily the result of \$.6 million from lower net sales, higher material costs of \$2.3 million partially offset by lower production costs \$.3 million. The EMEA gross profit decrease of \$.8 million was the result of \$.3 million from lower net sales coupled with higher product costs of \$.5 million. Asia-Pacific gross profit decreased \$3.3 million as a result of overall higher product costs in the region.

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*Costs and expenses.* Costs and expenses of \$74.9 million for the nine month period ended September 30, 2013 decreased \$1.7 million, or 2%, compared to 2012. Excluding the effect of currency translation, costs and expenses decreased less than 1% as summarized in the following table:

<i>thousands of dollars</i>	Nine month period ended September 30					
	2013	2012	Change	Change due to currency translation	Change excluding currency translation	% change
Costs and expenses						
PLP-USA	\$ 28,579	\$ 27,500	\$ 1,079	\$ 0	\$ 1,079	4%
The Americas	12,335	13,918	(1,583)	(595)	(988)	(7)
EMEA	10,143	9,291	852	(293)	1,145	12
Asia-Pacific	23,828	25,838	(2,010)	(615)	(1,395)	(5)
Consolidated	\$ 74,885	\$ 76,547	\$ (1,662)	\$ (1,503)	\$ (159)	%

PLP-USA costs and expenses increased \$1.1 million primarily due to higher net foreign currency exchange losses of \$1.5 million, a \$.2 million increase in advertising, higher professional fees of \$.4 million, a \$.4 million increase due to intercompany debt forgiveness, and higher intercompany related expenses of \$.4 million partially offset by lower employee related expenses of \$.6 million, a \$.2 million net gain on capital assets, lower commissions of \$.5 million, a decrease in travel expense of \$.2 million, and a \$.1 million decrease in consulting expenses. The foreign currency exchange losses are primarily related to translating foreign denominated loans, trade receivables and royalty receivables from our foreign subsidiaries at the quarter end exchange rates. International costs and expenses for the nine month period ended September 30, 2013 were favorably impacted by \$1.5 million when local currencies were translated to U.S. dollars. The following discussions of costs and expenses exclude the effect of currency translation. The Americas costs and expenses of \$12.3 million decreased \$1 million due to a \$1.1 million VAT refund and related interest and inflation from an income tax refund at our Brazilian location coupled with lower net foreign currency exchanges losses of \$.1 million partially offset by an increase of \$.3 million due to higher costs related to PLP-Argentina which began in June 2012 coupled with higher commissions of \$.1 million. EMEA costs and expenses of \$10.1 million increased \$1.1 million compared to 2012 due primarily to higher intercompany related expenses in the region of \$.5 million coupled with higher net foreign currency exchange losses of \$.2 million, and higher employee related costs in the region. Asia-Pacific costs and expenses of \$23.8 million decreased \$1.4 million primarily due to lower intercompany related expenses of \$.3 million, a decrease in costs and expenses of \$.7 million due to consolidating our Australian locations, lower personnel related costs, lower bad debt expense of \$.5 million and lower system implementation costs in the region partially offset by a \$.9 million increase in net foreign currency exchange losses and \$.2 million reduction in the fair value of the acquisition earn-out consideration payment in 2012.

*Other income (expense).* Other income for the nine month period ended September 30, 2013 of \$.5 million remained relatively unchanged compared to the nine month period ended September 30, 2012.

*Income taxes.* Income taxes for the nine month period ended September 30, 2013 of \$8.7 million was \$2.8 million lower than the same period in 2012. The effective tax rate for the nine month period ended September 30, 2013 was 33% compared to 32% for the same period in 2012. The effective tax rate for nine month period ended September 30, 2013 is lower than the U.S. federal statutory rate of 35% primarily due to increased earnings in jurisdictions with lower tax rates than the U.S. federal statutory rate where such earnings are permanently reinvested and favorable

discrete items recognized in the quarter for a decrease of unrecognized tax benefits which the Company considers to have been effectively settled. The higher effective tax rate for the nine month period ending September 30, 2013 compared with the same period for 2012 was primarily due to the Company's decision not to recognize the tax benefit attributable to operating losses in certain foreign jurisdictions, partially offset by favorable discrete items recognized in the quarter.

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*Net income.* As a result of the preceding items, net income for the nine month period ended September 30, 2013 was \$17.5 million, compared to \$24 million for the nine month period ended September 30, 2012. Excluding the effect of currency translation, net income decreased \$6.1 million as summarized in the following table:

<i>thousands of dollars</i>	Nine month period ended September 30					
	2013	2012	Change	Change due to currency translation	Change excluding currency translation	% change
Net income						
PLP-USA	\$ 9,418	\$ 10,965	\$ (1,547)	\$ 0	\$ (1,547)	(14)%
The Americas	4,476	5,738	(1,262)	(159)	(1,103)	(19)
EMEA	4,907	6,806	(1,899)	(380)	(1,519)	(22)
Asia-Pacific	(1,346)	504	(1,850)	74	(1,924)	(382)
Consolidated	\$ 17,455	\$ 24,013	\$ (6,558)	\$ (465)	\$ (6,093)	(25)%

PLP-USA net income decreased \$1.5 million due to a \$3.3 million decrease in operating income partially offset by lower income taxes of \$1.7 million and an increase in other income of \$.1 million. International net income for the nine month period ended September 30, 2013 was unfavorably affected by \$.5 million when local currencies were converted to U.S. dollars. The following discussion of net income excludes the effect of currency translation. The Americas net income decreased \$1.1 million as a result of a \$1.6 million decrease in operating income partially offset by lower income taxes of \$.6 million. EMEA's net income decreased \$1.5 million due to a \$1.9 million decrease in operating income partially offset by lower taxes of \$.4 million. Asia-Pacific's net income decreased \$1.9 million due to a decrease in operating income of \$1.9 million.

**APPLICATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our critical accounting policies are consistent with the information set forth in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, included in our Form 10-K for the year ended December 31, 2012 and are, therefore, not presented herein.

**WORKING CAPITAL, LIQUIDITY AND CAPITAL RESOURCES***Management Assessment of Liquidity*

We measure liquidity on the basis of our ability to meet short-term and long-term operating needs, fund additional investments, including acquisitions, and make dividend payments to shareholders. Significant factors affecting the management of liquidity are cash flows from operating activities, capital expenditures, cash dividends, business acquisitions and access to bank lines of credit.

Our investments include expenditures required for equipment and facilities as well as expenditures in support of our strategic initiatives. In 2013, we used cash of \$15.9 million for capital expenditures. We ended the third quarter of 2013 with \$31.2 million of cash and cash equivalents. We believe we have adequate sources of liquidity including additional borrowing capacity of \$74.4 million and that we have the ability to generate cash to meet existing or reasonably likely future cash requirements. Our cash and cash equivalents are held in various locations throughout the

world. At September 30, 2013, the majority of our cash and cash equivalents are held outside the U.S. We expect accumulated non-U.S. cash balances will remain outside of the U.S. and that we will meet U.S. liquidity needs through future cash flows, use of U.S. cash balances, external borrowings, or some combination of these sources.

We complete comprehensive reviews of our significant customers and their creditworthiness by analyzing financial statements for customers where we have identified a measure of increased risk. We closely monitor payments and developments which may signal possible customer credit issues. We currently have not identified any potential material impact on our liquidity from customer credit issues.

Our financial position remains strong and our current ratio at September 30, 2013 and December 31, 2012 was 3.5 to 1 and 3.3 to 1, respectively. At September 30, 2013, our unused availability under our line of credit was \$74.4 million and our bank debt to equity percentage was 6%. On May 24, 2012, we amended our credit facility to increase the borrowing amount to \$90 million, and extended the term to January 2015. The amendment to the credit facility lowered the interest rate from LIBOR plus 1.25% to LIBOR plus 1.125%. The line of credit agreement contains, among other provisions, requirements for maintaining levels of working capital, net worth and profitability. At September 30, 2013 and December 31, 2012, we were in compliance with these covenants.

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We expect that our major source of funding for 2013 and beyond will be our operating cash flows, our existing cash and cash equivalents as well as our line of credit agreement. In addition, we believe our borrowing capacity provides substantial financial resources if needed to supplement funding of capital expenditures and/or acquisitions. We do not believe we would increase our debt to a level that would have a material adverse impact upon results of operations or financial condition.

We earn a significant amount of our operating income outside the United States, which, except for current earnings, is deemed to be indefinitely reinvested in foreign jurisdictions. We currently do not intend nor foresee a need to repatriate these funds. We expect existing domestic cash and cash equivalents from operations to be sufficient to fund our domestic operating activities and cash commitments for investing and financing activities, such as regular quarterly dividends, debt repayment, and capital expenditures, for the next 12 months.

### *Sources and Uses of Cash*

Cash increased \$3 million for the nine month period ended September 30, 2013. Net cash provided by operating activities was \$14.5 million. The cash used in investing and financing was \$13 million primarily due to capital expenditures of \$15.9 million, common share repurchases of \$3.2 million, dividends paid of \$1.2 million, and an earn-out consideration payment of \$.5 million, partially offset by net borrowings of \$6 million, \$.5 million from proceeds from the sale of property and equipment, and \$1.2 million from proceeds from the issuance of common shares.

Net cash provided by operating activities for the nine month period ended September 30, 2013 decreased \$20.8 million compared to the nine month period ended September 30, 2012 primarily as a result of a decrease in net income of \$6.6 million, an increase in operating assets (net of operating liabilities) of \$13.7 million, and a decrease in non-cash items of \$.5 million.

Net cash used in investing activities for the nine month period ended September 30, 2013 of \$15.4 million represents a decrease of \$3.4 million when compared to cash used in investing activities in the nine month period ended September 30, 2012. The decrease was primarily related to acquisition payments of \$5.2 million in 2012 partially offset by capital expenditure increases of \$.3 million and a \$1.5 million decrease in proceeds from the sale of property and equipment in the nine month period ended September 30, 2013 when compared to the same period in 2012. In January 2012, we purchased Australian Electricity Systems PTY Ltd for \$4.3 million, net of cash received and working capital adjustments. In March 2012, we purchased all of the assets of Forma Line Industries CC in South Africa for \$.9 million, net of cash received and working capital adjustments. Capital expenditures were due mostly to investments in PLP-USA of \$8.8 million coupled with purchase of a building and machinery at our EMEA segment and information technology system implementation and machinery and equipment in our Asia-Pacific segment.

Net cash provided by financing activities for the nine month period ended September 30, 2013 was \$2.4 million compared to \$20.6 million of net cash used in financing activities for the nine month period ended September 30, 2012. The increase of \$23 million was primarily a result of an increase in debt borrowings in 2013 of \$6 million compared to a reduction in debt in 2012 of \$14.5 million coupled with a decrease in acquisition-related earn-out payments of \$.6 million, a decrease in dividends paid of \$2.1 million due to accelerating dividends in 2012 and an increase in proceeds from the issuance of common stock of \$.8 million, partially offset by an increase in the purchase of common shares for treasury of \$1.2 million.

### **RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same period. For other amounts, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The amendments are effective prospectively for reporting periods beginning after December 15, 2012. We adopted this guidance in the first quarter of 2013. As these amendments relate to presentation only, the provisions of ASU 2012-04 did not have an effect on our results of operations, financial condition, and cash flows.



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**NEW ACCOUNTING STANDARDS TO BE ADOPTED**

In July 2013, the FASB issued ASU 2013-11, Presentation of Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists, an amendment to FASB ASC Topic 740, Income Taxes (ASC 740). This update clarifies that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. In situations where a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This ASU is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. Retrospective application is permitted. We are currently evaluating the impact of the adoption of this ASU on our financial statements.

In March 2013, the FASB issued ASU No. 2013-05, Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. ASU 2013-05 clarifies the applicable guidance for the release of the cumulative translation adjustment under current U.S. GAAP by emphasizing that the accounting for the release of the cumulative translation adjustment into net income for sales or transfers of a controlling financial interest within a foreign Entity is the same irrespective of whether the sale or transfer is of a subsidiary or a group of assets that is a nonprofit activity or business. When a reporting entity ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity, the parent is required to apply the guidance in Subtopic 830-30 to release any related cumulative translation adjustment into net income. The amendments are effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. We are currently evaluating the impact of the adoption of ASU 2013-05 on our financial statements.

**FORWARD LOOKING STATEMENTS**

Cautionary Statement for "Safe Harbor" Purposes Under The Private Securities Litigation Reform Act of 1995

This Form 10-Q and other documents we file with the Securities and Exchange Commission ( "SEC" ) contain forward-looking statements regarding the Company's and management's beliefs and expectations. As a general matter, forward-looking statements are those focused upon future plans, objectives or performance (as opposed to historical items) and include statements of anticipated events or trends and expectations and beliefs relating to matters not historical in nature. Such forward-looking statements are subject to uncertainties and factors relating to the Company's operations and business environment, all of which are difficult to predict and many of which are beyond the Company's control. Such uncertainties and factors could cause the Company's actual results to differ materially from those matters expressed in or implied by such forward-looking statements.

The following factors, among others, could affect the Company's future performance and cause the Company's actual results to differ materially from those expressed or implied by forward-looking statements made in this report:

The overall demand for cable anchoring and control hardware for electrical transmission and distribution lines on a worldwide basis, which has a slow growth rate in mature markets such as the United States (U.S.),

Canada, and Western Europe and may not grow as expected in developing regions;

The ability of our customers to raise funds needed to build the facilities their customers require;

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Technological developments that affect longer-term trends for communication lines such as wireless communication;

The decreasing demand for product supporting copper-based infrastructure due to the introduction of products using new technologies or adoption of new industry standards;

The Company's success at continuing to develop proprietary technology and maintaining high quality products and customer service to meet or exceed existing or new industry performance standards and individual customer expectations;

The Company's success in strengthening and retaining relationships with the Company's customers, growing sales at targeted accounts and expanding geographically;

The extent to which the Company is successful in expanding the Company's product line or production facilities into new areas;

The Company's ability to identify, complete and integrate acquisitions for profitable growth;

The potential impact of consolidation, deregulation and bankruptcy among the Company's suppliers, competitors and customers;

The relative degree of competitive and customer price pressure on the Company's products;

The cost, availability and quality of raw materials required for the manufacture of products;

The effects of fluctuation in currency exchange rates upon the Company's reported results from international operations, together with non-currency risks of investing in and conducting significant operations in foreign countries, including those relating to political, social, economic and regulatory factors;

Changes in significant government regulations affecting environmental compliances;

The telecommunication market's continued deployment of Fiber-to-the-Premises;

The Company's ability to obtain funding for future acquisitions;

The potential impact of the global economic condition and the depressed U.S. housing market on the Company's ongoing profitability and future growth opportunities in our core markets in the U.S. and other foreign countries where the financial situation is expected to be similar going forward;

The continued support by Federal, State, Local and Foreign Governments in incentive programs for upgrading electric transmission lines and promoting renewable energy deployment;

Decrease in infrastructure spending globally as a result of worldwide depressed spending; and

Those factors described under the heading "Risk Factors" on page 13 of the Company's Annual Report on Form 10-K for the year ended December 31, 2012 filed on March 15, 2013.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company operates manufacturing facilities and offices around the world and uses fixed and floating rate debt to finance the Company's global operations. As a result, the Company is subject to business risks inherent in non-U.S. activities, including political and economic uncertainty, import and export limitations and market risk related to changes in interest rates and foreign currency exchange rates. The Company believes the political and economic risks related to the Company's international operations are mitigated due to the stability of the countries in which the Company's largest international operations are located.

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As of September 30, 2013, the Company had no foreign currency forward exchange contract outstanding. The Company does not hold derivatives for trading purposes.

The Company is exposed to market risk, including changes in interest rates. The Company is subject to interest rate risk on its variable rate revolving credit facilities and term notes, which consisted of borrowings of \$15.6 million at September 30, 2013. A 100 basis point increase in the interest rate would have resulted in an increase in interest expense of approximately \$.1 million for the nine month period ended September 30, 2013.

The Company's primary currency rate exposures are related to foreign denominated debt, intercompany debt, forward exchange contracts, foreign denominated receivables and cash and short-term investments. A hypothetical 10% change in currency rates would have a favorable/unfavorable impact on fair values on such instruments of \$6.2 million and on Income before income tax of \$2 million which predominately relates to translating foreign denominated intercompany loans and receivables.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

The Company's Principal Executive Officer and Principal Financial Officer have concluded that the Company's disclosure controls and procedures as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Securities Exchange Act of 1934, as amended, were effective as of September 30, 2013.

### **Changes in Internal Control over Financial Reporting**

There have not been any changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f)) during the quarter ended September 30, 2013 that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

## **PART II OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of any ultimate liability with respect to these actions will not materially affect our financial condition, results of operations or cash flows.

### **ITEM 1A. RISK FACTORS**

There were no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission on March 15, 2013.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

On August 4, 2010, the Company announced that the Board of Directors authorized a plan to repurchase up to 250,000 of Preformed Line Products common shares. The repurchase plan does not have an expiration date. The following table includes repurchases for the three month period ended September 30, 2013.



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## Company Purchases of Equity Securities

Period (2013)	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that may yet be Purchased under the Plans or Programs
July	0	0	162,268	87,732
August	5,000	\$ 71.43	167,268	82,732
September	0	0	167,268	82,732

Total 5,000

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

- 31.1 Certifications of the Principal Executive Officer, Robert G. Ruhlman, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 31.2 Certifications of the Principal Executive Officer, Eric R. Graef, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
- 32.1 Certifications of the Principal Executive Officer, Robert G. Ruhlman, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished.
- 32.2 Certifications of the Principal Executive Officer, Eric R. Graef, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished.
- 101.INS XBRL Instance Document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.





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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

November 7, 2013

/s/ Robert G. Ruhlman  
Robert G. Ruhlman  
Chairman, President and Chief Executive Officer  
(Principal Executive Officer)

November 7, 2013

/s/ Eric R. Graef  
Eric R. Graef  
Chief Financial Officer and Vice President Finance  
(Principal Accounting Officer)

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